

Construction Contracts: Annual Update

Contract Award Amount to Engineer's Estimate

WSDOT engineers prepare cost estimates for construction projects that the agency plans to advertise for competitive bidding. After bids are received, WSDOT then reviews each bid. WSDOT's goal is to have the lowest bid received on each project be no greater than the (original) engineer's estimate. WSDOT tracks project information and compares the engineer's estimate to the award amount as an indicator of the agency's estimating accuracy. When projects are completed, WSDOT compares the final cost of the project to the awarded amount and the engineer's estimate.

138 Construction Contracts Awarded in FY 2007

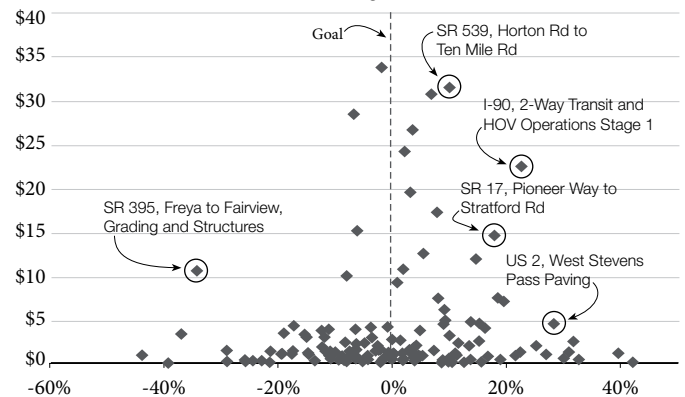
WSDOT awarded 138 highway construction contracts between July 1, 2006 and June 30, 2007 (FY 2007). The 138 highway construction contracts awarded in FY 2007 represents a 16.9% increase from the number of contracts awarded (118 total) between July 1, 2005 and June 30, 2006 (FY 2006).

For every contract awarded, WSDOT tracks the difference between the contract award amounts and the engineer's (original) estimate. The total award amount of all contracts for FY 2007 totaled \$531,708,985, which was 1.2% above the total engineer's estimate of \$525,491,874. The awarded total represents a 47.1% increase from FY 2006 (total value: \$361,514,031) in the value of contract awards.

The scatter graph on the above right shows the award value for each contract and the total percent above or below the engineer's estimate. Sixty seven contracts (48.6%) were awarded below the engineer's estimate. The additional 71 construction contracts (51.4%) were awarded above the engineer's estimate. This is a slight improvement from FY 2006, when 45.8% of contracts

Individual Contracts: Award Amount to Engineer's Estimate

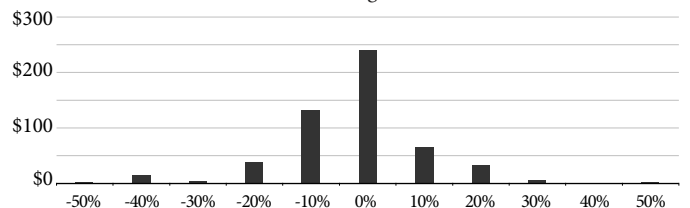
Percent Award Amount Above or Below Engineer's Estimate, Dollars in Millions



Data Source: WSDOT Construction Office

Distribution of Contract Value Over/Under Award Amount to Engineer's Estimate

Percent Award Amount Above or Below Engineer's Estimate, Dollars in Millions



Data Source: WSDOT Construction Office

(54 projects) were awarded below the engineer's estimate and the remaining 54.2% (64 contracts) were awarded above the engineer's estimate.

Highway Construction Contracts Awarded: Year-to-Year Comparison¹

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Number of contracts awarded	176	129	141	118	138
Total award amount for these contracts	\$314,534,831	\$389,592,349	\$500,099,488	\$361,514,031	\$531,708,985
Total engineer's estimate for these contracts	\$355,420,644	\$398,923,582	\$511,364,300	\$345,802,088	\$525,491,874
Average % total awards were above/below the total estimate value	-6.5%	-1.4%	1.3%	1.9%	0.4%
% Total award is above/below the engineer's estimate	-11.5%	-2.3%	-2.2%	4.5%	1.2%
Combined contract value awarded below the estimate	84.0%	53.3%	74.4%	30.5%	35.5%
Number of contracts awarded below the estimate	123	85	77	54	67
% of contracts awarded below the estimate	69.9%	65.9%	54.6%	45.8%	48.6%

Data Source: WSDOT Construction Office

¹Does not include the Tacoma Narrows Bridge, the Hood Canal Bridge, Design Build Contracts, or emergency contracts.

Construction Contracts: Annual Update

Contract Final Costs to Award Amount

Selected contracts circled in the scatter graph on the previous page had a significantly higher cost over-run. These include:

I-90, Two Way Transit and HOV Operations, Stage 1 (King County)

The contract award totaled \$22.5 million, 23% above the engineer's estimate as a result of significantly higher costs for night-time work that was not taken into consideration when compiling the estimate. Five bids were received.

SR 17, Pioneer Way to Stratford Road (Grant County)

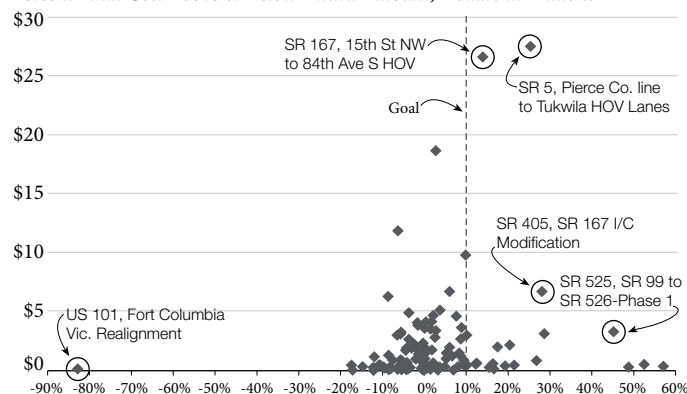
The contract totaled \$14.6 million, 18% above the engineer's estimate. The increase was due to higher than expected material cost escalation and shortages for some materials. Four bids were received.

U.S. 2, West Stevens Pass Paving (King County)

The contract totaled \$4.5 million, 28% above the engineer's estimate. The overage was due to asphalt price escalation as well as the remote location of the project.

Individual Contracts: Final Costs to Award Amount

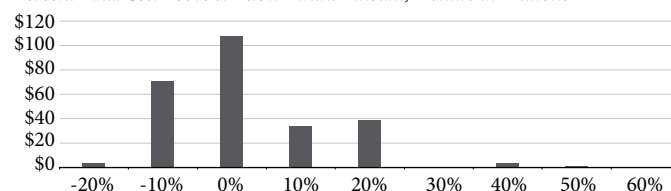
Percent Final Cost Above or Below Award Amount, Dollars in Millions



Data Source: WSDOT Construction Office

Distribution of Contract Value Over/Under Final Cost to Award Amount

Percent Final Cost Above or Below Award Amount, Dollars in Millions



Data Source: WSDOT Construction Office

WSDOT Estimates Revised to Reflect Current Costs

WSDOT monitors the current costs of construction materials for use in developing and updating project estimates. At the beginning of FY 2007, WSDOT updated engineer's estimates for all projects with estimates developed prior to January 2006. The estimates were updated using a new software application (*Bid Tabs Pro*) that allowed engineers access to more recent bid histories. Current costs for all projects were calculated and new inflation rates were applied. As a result, contracts awarded in FY 2007 were awarded at 1.2% above the engineer's estimate. By comparison, contract awards in FY 2006 were 4.5% above the engineer's estimates.

119 Construction Contracts Completed

WSDOT completed 119 highway construction contracts in FY 2007, representing an 4.4% percent increase from the number of contracts completed in FY 2006 (114 contracts). For every completed contract, WSDOT tracks final construction costs compared to the original engineer's estimate and the award amount. WSDOT's goal is for the final construction costs to be less than 10% above the award amount.

Completed Contract: Final Costs to Award Amount¹

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Number of highway contracts completed	175	147	155	114	119
Total final cost for highway contracts ²	\$375,244,919	\$294,482,387	\$294,988,223	\$225,445,739	\$259,853,522
Total award amount for highway contracts	\$351,525,709	\$274,495,656	\$280,396,785	\$201,782,248	\$246,665,685
Average % final costs exceeded award	3.8%	2.9%	3.9%	3.4%	2.2%
% final cost exceeded award amount	6.7%	7.3%	5.2%	11.7%	5.4%
% of contract values less than 10% above award	65.3%	45.1%	76.3%	55.1%	68.7%
Number of contracts less than 10% above award	137	115	121	92	98
% of contracts less than 10% above the award	78.3%	78.2%	78.1%	80.7%	82.4%

Data Source: WSDOT Construction Office

¹Does not include the Tacoma Narrows Bridge, the Hood Canal Bridge, Design Build Contracts, or emergency contracts.

² Without Sales Tax

Construction Contracts: Annual Update

Contract Final Costs to Engineers Estimate

Selected Contract circled in the scatter graph on the previous page exceeded the 10% threshold and include:

SR 5, Pierce County Line to Tukwila HOV Lanes, Stage 3 (Pierce County)

\$5.5 million (25%) cost over-run occurred due to multiple delays caused by survey and plan errors.

SR 525, SR 99 to SR 526 – Phase 1 (Snohomish County)

\$1 million (43%) cost over-run occurred due to adding drainage to this project to coordinate work with a another phase of this project under construction nearby.

Final Costs to Award Amount Improve From FY 2006

The total final cost of contracts completed in FY 2007 was \$259,853,522. This exceeds the total award amount of \$246,665,685 by 5.4%. By comparison, contract final costs exceeded the awarded amount by 11.7% in FY 2006 (Final costs were \$225,455,739, total awards were \$201,782,248).

The scatter graph on the previous page shows the final cost of each contract and the percent above or below the award amount. The final cost for 98 contracts (82.4%) was less than 10% above the award. Twenty One completed contracts (17.6%) were 10% above the award amount. On average, the final contract costs were 2.2% above the original award amount.

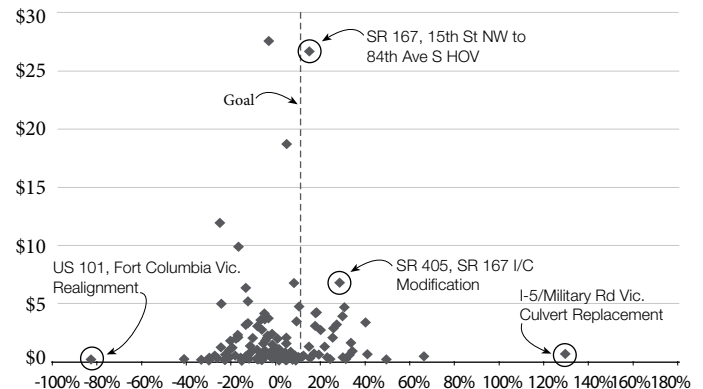
Final Costs for FY 2007 are Below Engineer's Estimate

The final contract costs in FY 2007 totaled \$259,853,522. This was below the total engineer's estimate of \$261,545,513 by 0.6%. By comparison, in FY 2006, contract final costs exceeded the engineer's estimate by 0.8% (\$225,445,739 final, \$223,751,551 estimate).

The scatter graph on the above right shows the final cost of each contract and the percent it was above or below the engineer's estimate.

Individual Contracts: Final Costs to Engineer's Estimate

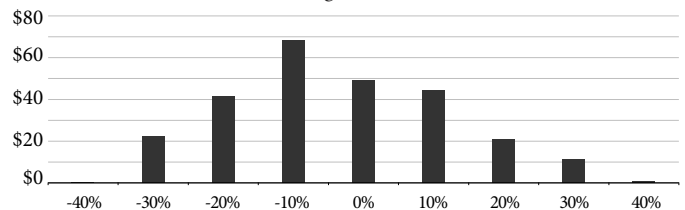
Percent Final Cost Above or Below Engineer's Estimate, Dollars in Millions



Data Source: WSDOT Construction Office

Distribution of Contract Value Over/Under Final Costs to Engineer's Estimate

Percent Final Cost Above or Below Engineer's Estimate, Dollars in Millions



Data Source: WSDOT Construction Office

Selected contracts circled in the scatter graph above had a significantly higher cost over-run. These include:

I-405, SR 167 Interchange Modification (King County)

The contract final cost of \$6.8 million was 29% above the engineer's estimate and over-ran the awarded amount by 28% due to an unexpected problem encountered while drilling shafts.

I-5, Military Road Vicinity Culvert Replacement (King County)

The contract final cost of \$660 thousand was 130% above the engineer's estimate and over-ran the awarded amount by 12% due to unexpected material encountered during excavation.

Completed Contracts: Final Cost to Engineer's Estimate¹

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Total number of completed construction contracts	175	147	155	114	119
Total of construction contract estimates completed	\$393,078,777	\$277,017,902	\$294,440,780	\$223,751,551	\$261,545,513
Total final cost for construction contracts ²	\$375,244,919	\$294,482,387	\$294,988,223	\$225,445,739	\$259,853,522
% total contract values cost above/below estimate	-5.6%	-2.6%	0.7%	0.8%	-0.6%
% of contract value less than 10% above award	87.1%	42.8%	74.2%	64.9%	67.8%
Number of contracts less than 10% above estimate	151	111	118	86	87
% of contracts less than 10% above the estimate	86.3%	75.5%	76.1%	75.4%	73.1%

Data Source: WSDOT's Construction Office

¹ Does not include the Tacoma Narrows Bridge, the Hood Canal Bridge, Design Build Contracts, or emergency contracts.

² Without Sales Tax

Measures, Markers and Mileposts – June 30, 2007